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# Luna — The fall of a giant

My personal post-mortem analysis



*Before going into this, I want to clarify that this is my personal opinion; I am trying to be as clear as possible, but my emotions are strong. so it might feel messy sometimes; I apologize for this in advance if this*



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*icle is meant to acknowledge why*

*own mistakes along the Luna journey, not to put the blame on anyone or analyze TFL or LFG actions during the collapse.*

It has been more than three weeks since Luna/UST started to collapse and spiral into death.

This collapse was one of the most violent collapses in a long time, only comparable to Lehman's collapse in 2008!

Like I said before, my entire crypto portfolio was into Luna, and I watched it melt from 8 digits to 0.

I am certainly not trying to be a victim here, so there is no need to feel sorry for me; I knew the risks, played, and lost.

Nevertheless, the entire saga has been depressing and broke me down. My confidence is gone, and it will take time to rebuild myself (which I explain below).

In retrospect, I realize how much I have been vocal about Luna, maybe too much, but I never "shilled" to pump my bags, as Maxis insinuated.

I believed in the project; I resigned from my ten-year-old job to join builders and make a difference (This is how much I believed in it!).

I became bullish on Luna when I wrote my thesis (35 pages!) in October 2021 (lune price was \$37 back then); I did a lot of research and must have interviewed at least twenty people (builders, analysts, community members, etc.) to form an educated opinion about it.

The risks were clear, de-peg, and death spiral; it happened in May 2021, but while interviewing people, I realized that many smart developers were working on different systems to minimize the risks Unfortunately, it still happened!

When you look back on things, everything is always obvious, but when you are in the middle of it, your bias might blind you from time to time; I have to admit that it happened to me.

I became a full-time Lunatic, it was fun, and the community was vibrant and smart but sometimes a little too loud (and we can say disrespectful). After the repeated attacks from other communities, Lunatics (including myself) became over defensive and even aggressive at times, making us deaf when people constantly Fud about it, and ignoring valid weaknesses.

I always say that the delivery of a message is as important as the message itself; sometimes, that was the case.

We were arrogant, and this is why so many people cheered during Luna's collapse; that was our price to pay as a community. Seeing so many people happy about Luna's collapse made me realize that we have done that to ourselves; I am not the kind of person that enjoys other's misery, so I found all this very sad, and it helped me to understand the role I played in this, I regret it, I remember having a chat with José Maria Macedo, he was so adamant that Lunatics should tone down and stop to fight so much...he was dead spot on.

**Lesson 1: We were too arrogant and cocky as a community, making too many enemies along the way.**

While people were constantly pointing out Luna/ust weaknesses, they were bluntly ignoring everything being worked on to fix these weaknesses.

They called Luna a Ponzi because of the 20% yield on Anchor, while a proposal was being worked on to have new parameters and make the yield sustainable around 10-12%. Unfortunately, It didn't have time to make it...

20% yield was essentially the marketing budget and the cost of customer acquisition, we knew it wasn't sustainable, but I think it was acceptable for the time being, yield should have been dynamic as the system grow.

**Side note: There is some irony to hear Ethereum maxi calling Luna a Ponzi when literally so many ponziesque protocols were launched on Ethereum...but hey, it inflated ETH demand (i.e. price), so I guess it was tolerable then...**

Looking back at it, the 20% yield was a mistake because it increased UST demand too quickly, and the defence mechanisms were not scaling at the same pace or were not

ready yet (BTC Reserves, 4Pool); that growth didn't give time to the system to adjust accordingly and increased weaknesses.

I was too confident in 4Pool and BTC reserves; while the strategic moves were made, they were not technically ready, leaving room for what happened.

**Lesson 2: We (as a community) should have worked on a yield adjusting system much earlier.**

The value proposition of Terra was UST; I found the narrative of a decentralized stable coin very appealing and, more importantly, needed so that crypto could be censorship-resistant.

I had my concerns about a pure algo stable coin, but as collateral like BTC was added, and more work was being done to make it safe, I felt more and more confident, clearly I was wrong.

I have been thinking about the algo mechanism for weeks now, and I don't believe that a pure algo stablecoin will ever work because the mechanism relies on human behaviour (i.e. human greed & fear).

Using bitcoin as collateral means, it will need to be overcollateralized due to volatility in bitcoin price.

Using USDC or USDT as collateral means that it is exposed to censorship.

Currently, there is no decentralized stablecoin model that is efficient or scalable. However, it doesn't mean that there will never be one.

**Lesson 3: Algo stablecoins will not succeed in their current form, because the actual collateral is human behaviour.**

Like I said earlier, I was very vocal about Luna, and became an easy target once Luna crashed, and to be fair I earned it, so no hard feeling about it.

I have been criticized for my sizing and how I was all in.

I saw an opportunity in Luna, one that had asymmetric rewards if it works, so I decided to make a concentrated bet on it; this is the kind of bet to create real generational wealth; this was my high conviction bet, and it worked as I did 5X during a bear market (using leverage)...unfortunately it failed epically after...

In the past two years, I had four conviction bets (that I shared on Twitter) that would have created decent profits if managed well.

1. I was long Ethereum at \$233 in May 2020...peaked at \$4,815
2. I was long NXM in August 2020 in the \$30s, ended up going to \$75 before correcting and rallying back to \$150 the year after...and more after.
3. I was long RUNE at \$3 in January 2021...peaked above \$22... before crashing...
4. I was long \$luna at \$37 (I was late to the party)...peaked at \$122

While I nailed my analysis and entry prices, I didn't manage my positions well, especially the first three times, so I went for it with solid conviction and size when I saw Luna's opportunity, and this time greed got in the way and I failed to manage it well, like the previous three, although being part of the community, it was almost impossible to take profit yet, it didn't feel morally right.

One of the reasons for my mismanagement was that every single time I tried to be part of the community so I could help the projects I believed in, I ended up emotionally attached to my bags, which got in the way when there was any correction and I ended up going down with the ship every single time! (Except for Ethereum, I was new, I simply fucked up the trade although I had my strategy designed in advance, I got lost in DeFi summer...)

I also realized that if people rely on my work to enter a position, they will also depend on my work to manage or exit the same position, which is not right.

So many people were grateful when Luna was going up to \$120, the same people who lost it all once Luna was worth pennies, this shows that risk management is critical, and people to be taught how to manage risks.

I don't have the same risk tolerance as smaller investors, yet reading all the heartbreaking stories about Luna/ust fall, It looks like many people put all their savings or took debt to participate in Anchor, which is insane, crypto is very risky and I would never recommend such behaviour (and never have!).

Risk management is very important and seems to be ignored too much in crypto, while analysing my failures I came up with a few ideas to avoid repeating them:

1. Take my initial out after 3 or 4X (based on market dynamic) — On a big position
2. I will not let greed and emotions take over my investment strategy
3. I will not use leverage again (or on a very short timeframe)
4. Diversify and always have some Bitcoin or Ethereum
5. Use stops on CEX, ie once my position is up add a stop loss to protect my gain in case of correction (although this one is tricky because crypto can be very volatile) — I would say this one is for my daily trading strategy.

**Lesson 4: As appealing as a project can be, it will "only" be a trade for me going forward. I will not share my positions publicly, recommend a project or join a community.**

**Side note:** Because of my involvement with the community, I got proposed to join LFG as an adviser.

**I will not comment on LFG, as there are still legal implications to clear.**

I have some serious PTSD about crypto right now, but I am trying to rebuild myself, and I will need to take some time off for that, I need to finalize my transition out of GMI first.

I hope people affected by this collapse will be resilient enough to find the path to recovery, nobody deserved what happened.

As of Terra 2, unless there is some real value proposition, I am not interested and will not invest in it (I am already stuck with a lot of vesting Luna coming in 2 years); also,

let's not forget about the coming lawsuits and class actions against TFL (this could affect Luna price action).

However, I believe that if builders find the right concept, Terra 2 could surprise more than one person and rise again. It will take time to gain confidence again, but greed is strong, and if there is an opportunity, you can be sure that people will come back and invest in it.

The path to redemption is possible but will be complicated and while people hate Do and TFL and choose them as scapegoats, let's not forget all the builders and people working on making Terra 2 great again; with the right product, they deserve a chance.

**Remember that crypto is still at an experimental phase and that it is very risky to participate. Only invest money you can afford to lose, do not take debt, max up credit cards or remortgage your property to invest in crypto, and finally have a strategy with return goals and stick to it.**

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